

**Wednesday, November 29, 2017****FX Themes/Strategy/Trading Ideas**

- Except against the GBP, the dollar traded choppy but ultimately firmed against the majors on Tuesday as the UST curve bear flattened from the front-end (better than expected November consumer confidence and Richmond Fed). Elsewhere, Powell, at his Senate confirmation hearing, said “the case for raising rates at our next meeting is coming together”.
- On the tax reform front, the Senate Budget Committee approved the tax bill on Tuesday, with a full Senate vote expected on Thursday. This development may however impart a slight tailwind for the USD in the interim with the DXY retracing back above 93.00 overnight (and despite the prevailing US curve flattening bias).
- GBP outperformed across the board after a volatile session with media reports indicating that the UK and the EU have reached some semblance of a Brexit divorce bill (FT also reported that the UK is looking at a bill of EUR100bn, the Telegraph cited a EUR45-55bn bill) although a UK government official did not confirm the reports. Uncertainty on this front may remain apparent ahead of the 04 Dec 17 meeting between May and Juncker.
- On other fronts, the EUR-USD was weighed by the plunging EUR-GBP on Tuesday while slipping crude aided the USD-CAD higher. The USD-JPY also dipped briefly following reports of a North Korean missile test but the pair subsequently rebounded to end higher on the day.
- For today, Fed-speak is potentially thick with Dudley (1330 GMT), Yellen (1500 GMT), Williams (1745 GMT), and Kashkari (on Twitter from 2030 GMT). The ECB’s Constancio (1000 GMT) and Weidmann (1700) are also scheduled for appearances. In Asia, the BOJ’s Nakaso (0700 GMT) is also penciled in. On the data front, look to German November CPI (1300 GMT), US 3Q core PCE (1330 GMT), October pending home sales (1500 GMT), and the Beige Book (1900 GMT).

**Asian FX**

- Positive global (including EM) equities propped up the Asian currencies overnight and this may keep the **ACI (Asian Currency Index)** top heavy and on a slightly divergent path from the DXY in the short term. In addition, the risk environment also remains constructive for Asian FX with the **FXSI (FX Sentiment Index)** sinking deeper into Risk-On territory.

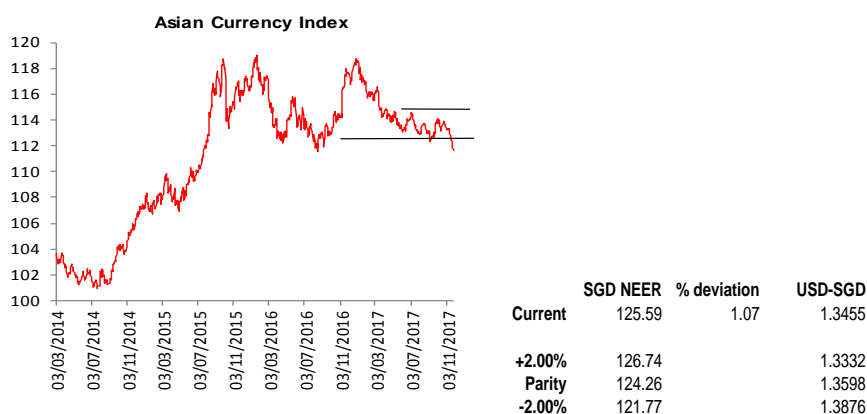
Treasury Research &  
Strategy

**Emmanuel Ng**

+65 6530 4073

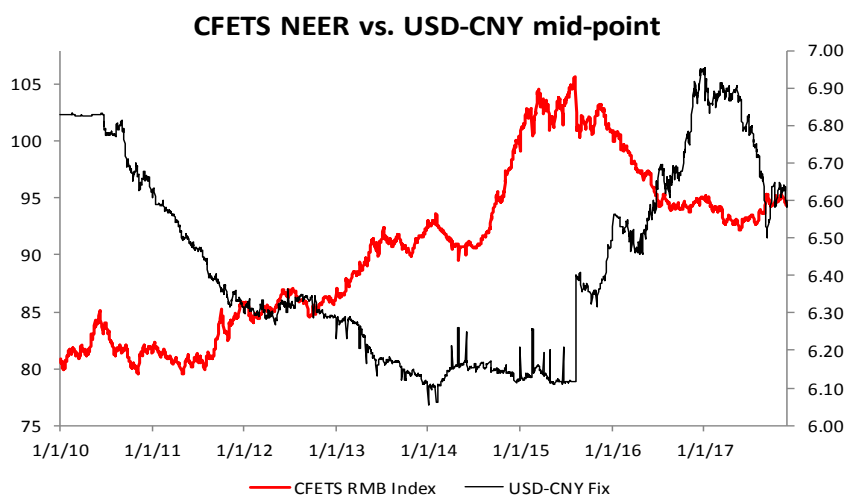
[ngcyemmanuel@ocbc.com](mailto:ngcyemmanuel@ocbc.com)

- On other fronts, net portfolio inflows in Asia continue to remain supportive of Asian FX. The KRW is seeing a nice bounce on a 1M rolling basis although net inflows for the TWD remain flattish on the back of outflow pressure. The INR, IDR, and THB meanwhile are seen continually supported on strengthening inflow momentum.
- SGD NEER:** This morning, the SGD NEER is firmer on the day at around +1.06% above its perceived parity (1.3599) with the USD-SGD reluctant on the upside despite broad USD resilience and higher NEER-implied USD-SGD thresholds.
- In light of the behavior of the NEER in recent weeks, expect heightened suspicion that the +1.00% threshold may be assuming the role of a near term locus as opposed to being an unspoken upper boundary. At current levels, the +1.10% threshold is estimated at 1.3451 while +0.90% is estimated at 1.3477. Expect a heavy range within 1.3420-1.3480 in the interim.



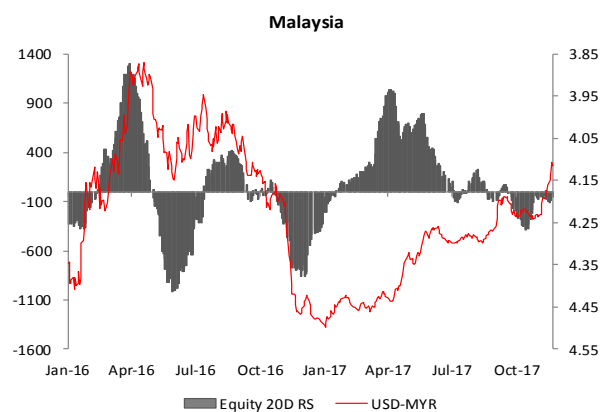
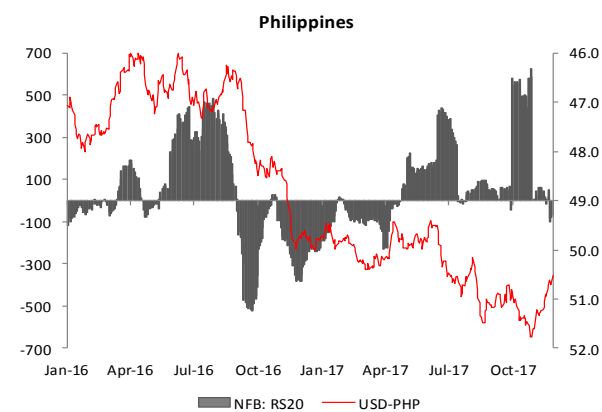
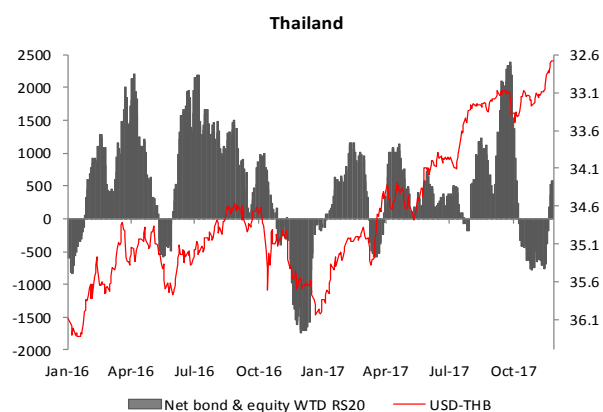
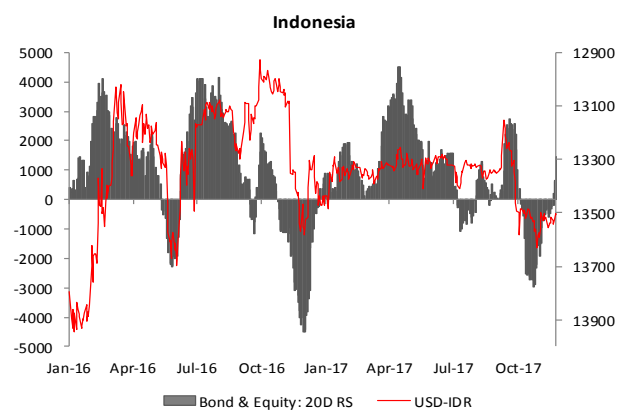
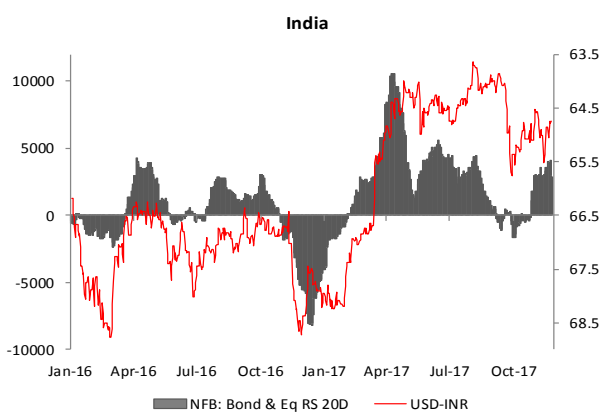
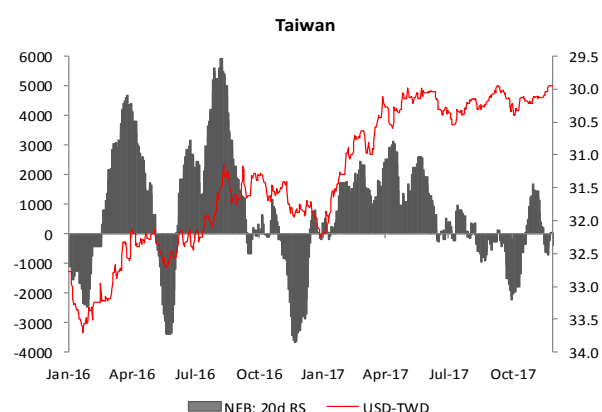
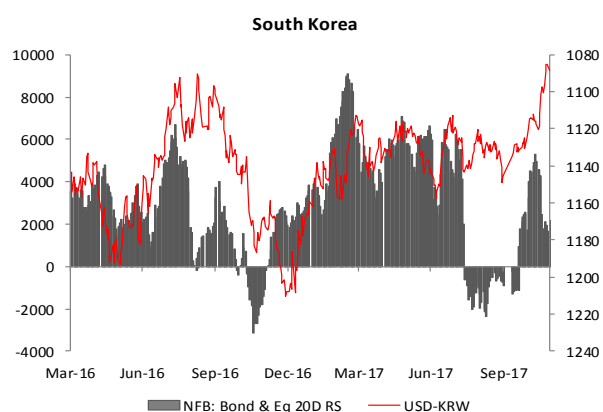
Source: OCBC Bank

- CFETS RMB Index:** This morning, the USD-CNY mid-point gained (largely as expected) to 6.6011 from 6.5944 on Tuesday. This saw the CFETS RMB Index softening further to 94.38 from 94.42 yesterday.

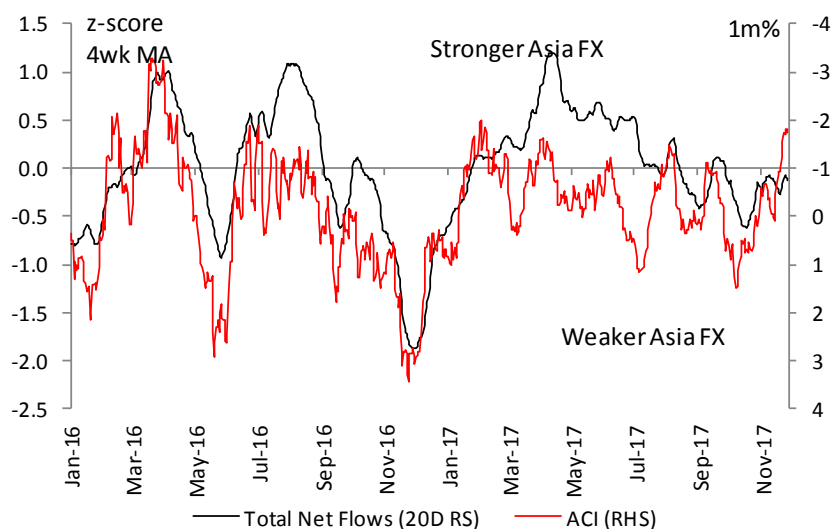


Source: OCBC Bank, Bloomberg

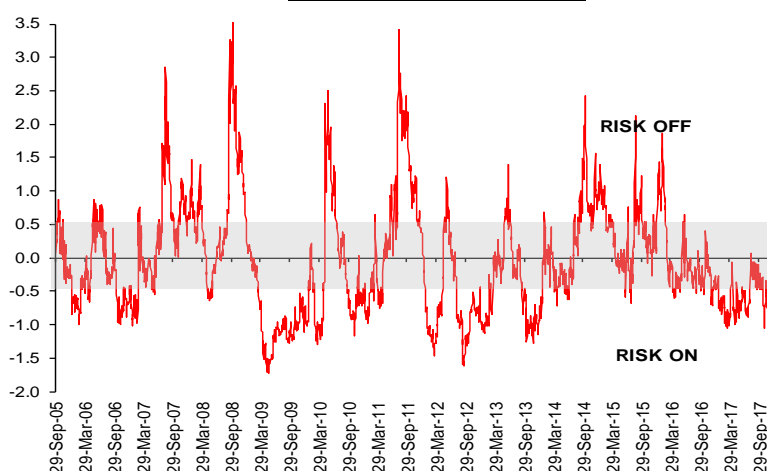
## USD-Asia VS. Net Capital Flows



### ACI VS. Net Capital Flows



### FX Sentiment Index



Source: OCBC Bank

### 1M Correlation Matrix

Security	DXY	USGG10	CNY	SPX	MSELCA	CRY	JPY	CL1	VIX	ITRXX	CNH	EUR
DXY	1	0.282	0.63	-0.46	-0.527	-0.242	0.949	-0.596	-0.134	-0.544	0.627	-0.988
CHF	0.976	0.364	0.568	-0.449	-0.531	-0.313	0.95	-0.64	-0.112	-0.524	0.607	-0.951
JPY	0.949	0.382	0.619	-0.548	-0.576	-0.306	1	-0.642	0.022	-0.438	0.637	-0.903
SGD	0.947	0.398	0.77	-0.63	-0.612	-0.307	0.952	-0.644	0.079	-0.36	0.76	-0.912
MYR	0.939	0.283	0.604	-0.597	-0.676	-0.337	0.949	-0.675	-0.065	-0.56	0.561	-0.906
TWD	0.896	0.421	0.715	-0.693	-0.682	-0.318	0.942	-0.672	0.233	-0.279	0.716	-0.851
THB	0.89	0.366	0.654	-0.693	-0.681	-0.332	0.92	-0.673	0.101	-0.422	0.616	-0.861
KRW	0.864	0.477	0.716	-0.716	-0.705	-0.347	0.905	-0.68	0.216	-0.282	0.708	-0.827
PHP	0.86	0.294	0.683	-0.671	-0.613	-0.23	0.878	-0.624	0.077	-0.383	0.608	-0.827
AUD	0.635	0.039	0.128	-0.209	-0.325	-0.021	0.629	-0.321	-0.367	-0.706	0.056	-0.652
CNY	0.63	0.419	1	-0.454	-0.425	-0.09	0.619	-0.3	0.236	0.027	0.926	-0.623
CNH	0.627	0.553	0.926	-0.489	-0.389	-0.068	0.637	-0.335	0.445	0.191	1	-0.613
CCN12M	0.377	0.296	0.703	-0.191	-0.18	0.309	0.431	0.097	0.328	0.142	0.761	-0.384
IDR	0.368	0.638	0.212	-0.594	-0.652	-0.725	0.413	-0.781	0.321	-0.09	0.237	-0.319
NZD	0.302	-0.229	-0.005	0.198	0.082	0.511	0.297	0.243	-0.281	-0.362	0.002	-0.35
USGG10	0.282	1	0.419	-0.375	-0.329	-0.385	0.382	-0.458	0.382	0.215	0.553	-0.238
CAD	0.175	0.181	-0.004	-0.167	-0.592	-0.734	0.139	-0.559	-0.087	-0.395	-0.057	-0.137
INR	0.136	0.503	0.582	-0.479	-0.107	-0.047	0.263	-0.133	0.747	0.661	0.666	-0.092
GBP	-0.782	-0.201	-0.573	0.488	0.413	0.139	-0.822	0.461	-0.141	0.157	-0.612	0.722
EUR	-0.988	-0.238	-0.623	0.389	0.444	0.141	-0.903	0.509	0.206	0.57	-0.613	1

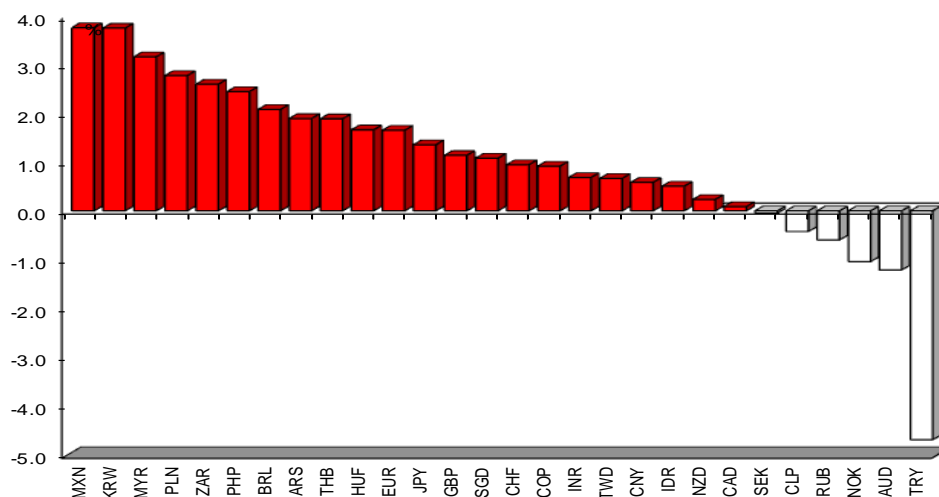
Source: Bloomberg

### Immediate technical support and resistance levels

	S2	S1	Current	R1	R2
EUR-USD	1.1757	1.1800	1.1842	1.1900	1.1947
GBP-USD	1.3238	1.3300	1.3357	1.3386	1.3387
AUD-USD	0.7532	0.7536	0.7594	0.7600	0.7691
NZD-USD	0.6798	0.6800	0.6892	0.6900	0.6973
USD-CAD	1.2657	1.2800	1.2821	1.2837	1.2900
USD-JPY	110.84	111.00	111.63	111.66	112.00
USD-SGD	1.3412	1.3435	1.3462	1.3500	1.3564
EUR-SGD	1.5768	1.5900	1.5941	1.5948	1.6000
JPY-SGD	1.2000	1.2028	1.2060	1.2100	1.2133
GBP-SGD	1.7900	1.7961	1.7981	1.7999	1.8000
AUD-SGD	1.0200	1.0211	1.0223	1.0300	1.0487
Gold	1271.04	1285.12	1293.20	1298.45	1299.00
Silver	16.73	16.80	16.83	16.90	16.99
Crude	54.64	57.70	57.71	57.80	59.05

Source: OCBC Bank

### FX performance: 1-month change agst USD



Source: Bloomberg

### G10 FX Heat Map

	AUD	NZD	EUR	GBP	JPY	CAD	USD	SGD	MYR
AUD									
NZD									
EUR									
GBP									
JPY									
CAD									
USD									
SGD									
MYR									

Source: OCBC Bank

### Asia FX Heat Map

	USD	JPY	CNY	SGD	MYR	KRW	TWD	THB	PHP	INR	IDR
USD											
JPY											
CNY											
SGD											
MYR											
KRW											
TWD											
THB											
PHP											
INR											
IDR											

Source: OCBC Bank

### FX Trade Ideas

	Inception	B/S	Currency	Spot	Target	Stop/Trailing Stop	Rationale	
	TACTICAL							
1	07-Nov-17	S	AUD-USD	0.7671	0.7510	0.7755	RBA on hold, no inflation or rate hike urgency	
2	20-Nov-17	S	USD-JPY	112.07	109.80	113.25	Background risk aversion, little expectaions of hawkish surprises from the Fed	
3	21-Nov-17	S	USD-SGD	1.3561	1.3415	1.3640	Little contagion in geopolitical risks, sanguine portfolio inflow environment, expected USD	
4	24-Nov-17	B	EUR-USD	1.1868	1.2085	1.1755	Supportive EZ data stream, German political concerns on hold, near term USD vulnerability	
5	27-Nov-17	B	GBP-USD	1.3344	1.3655	1.3185	Investors may imputeBrexit talks in December. Prevailing USD weakness.	
	STRUCTURAL							
6	09-May-17	B	GBP-USD	1.2927	1.3700	1.2535	USD skepticism, UK snap elections, positioning overhang, hawkish	
7	07-Nov-17		Bullish 2M 1X2 USD-JPY Call Spread Spot ref: 114.15; Strikes: 113.78, 118.31; Exp: 04/01/18; Cost: 0.90%				Rate differential complex supportive of the USD, BOJ static	
	RECENTLY CLOSED TRADE IDEAS							
	Inception	Close	B/S	Currency	Spot	Close	Rationale	P/L (%)
1	28-Sep-17	02-Nov-17	S	AUD-USD	0.7816	0.7720	Cyclicals may undergo a reassessment in face of corrective moves in the USD and US yields	+1.20
2	21-Sep-17	15-Nov-17	B	USD-JPY	112.58	113.13	Policy dichotomy post FOMC-BOJ + positive risk appetite levels	+0.73
3	24-Oct-17	15-Nov-17	B	USD-SGD	1.3616	1.3540	Post MAS MPS behavior of SGD NEER, broad USD resilience, uneven net portfolio inflows in	-0.54
4	24-Oct-17	17-Nov-17	S	EUR-USD	1.1763	1.1812	Potential disappoint from the ECB, possible USD resilience from fiscal and Fed-chair news flow	-0.27
5	07-Nov-17	22-Nov-17	S	GBP-USD	1.3142	1.3300	Potential negative headline shock from upcoming BOE appearances post the dovish rate hike	-1.14
6	28-Sep-17	24-Nov-17	B	USD-CAD	1.2500	1.2725	Reality check from the BOC's Poloz even as the USD garners renewed interest	+1.80
							Jan-Nov*** 2017 Return	-11.09
							2016 Return	+6.91
* realized **of notional ***month-to-date								

Source: OCBC Bank

---

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

---